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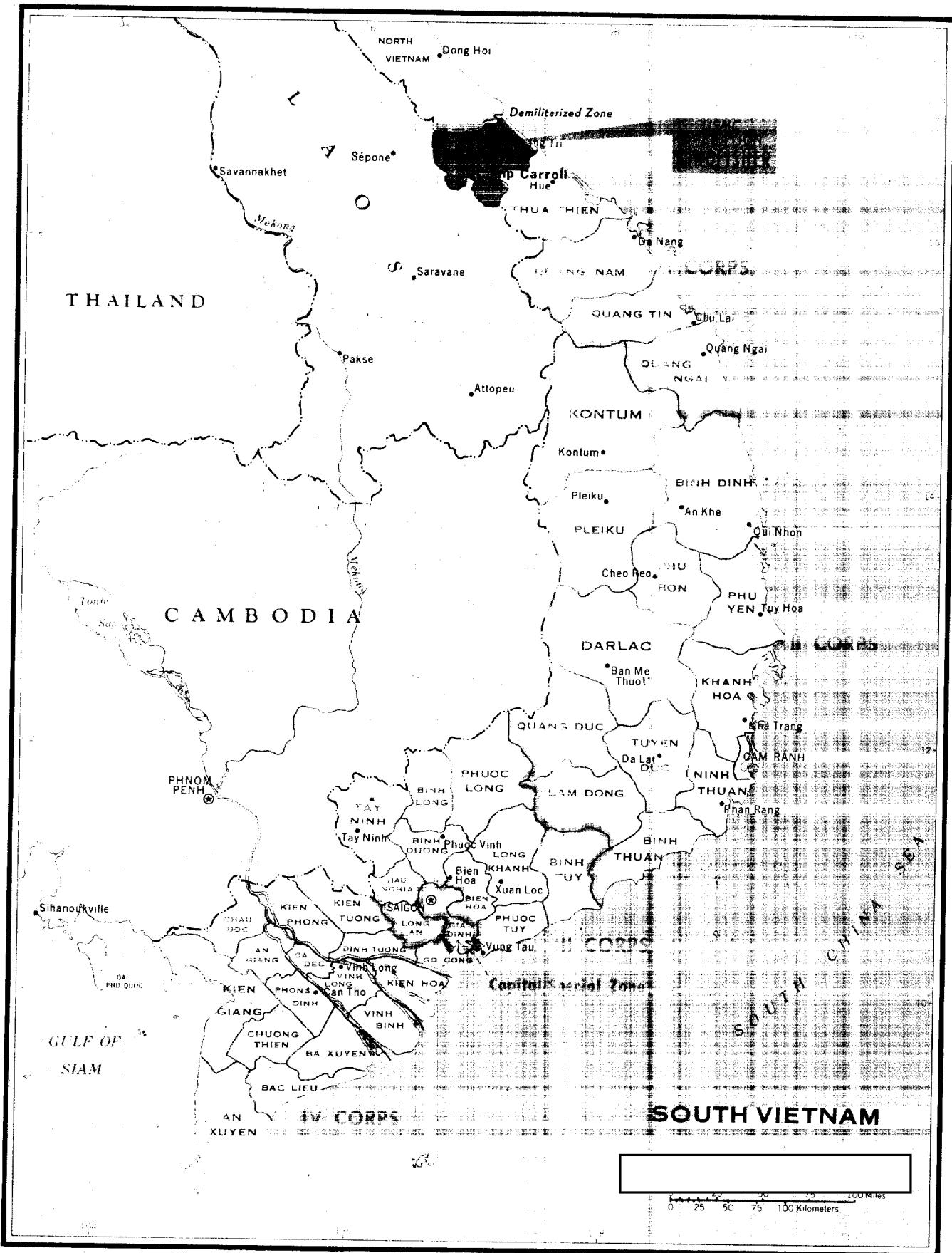
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*Vietnam:

South Vietnam: A reshuffle of the military is under way in South Vietnam.

Chief of State Thieu announced on 25 August that as many as 50 officers would be dismissed for corruption or inefficiency. He named no names, but South Vietnamese military sources have indicated that at least four less-known generals are involved. Thieu also announced changes in the government posts held by some military men. General Nguyen Van Vy, currently chief of staff of the Joint General Staff, will be appointed defense minister, while Minister of Revolutionary Development Thang will replace Vy. General Cao Van Vien will presumably retain his position as chief of the Joint General Staff but will give up his concurrent post as defense minister.

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Three significant actions were fought by US Marines participating in Operation KINGFISHER in the Camp Carroll area of Quang Tri Province on 23 and 24 August. The actions, one of which involved a 70-round mortar bombardment of the command post of a Marine battalion, resulted in American casualties of 14 killed and 22 wounded. Known Communist losses during the three actions were 31 killed.

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Communist China - Hong Kong: Chou En-lai's
remarks [redacted] indicate again the cautious position Peking is taking on
the Hong Kong issue.

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Chou reportedly said that Peking could not long permit Hong Kong to remain "severed" from Communist China and would settle the issue once and for all "within a year or two." This statement probably does not reflect a Chinese timetable for action but appears largely designed to rationalize the current lack of direct Chinese Communist support for pro-Communist elements inside the colony. Peking appears unwilling or unable to provide such support at this time.

There have been further incidents along the Hong Kong border, but, as before, Chinese Communist Army troops have exercised a restraining influence. Substantial quantities of food apparently are continuing to arrive in the colony from Communist China. [redacted]

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Burma: The Ne Win regime faces serious difficulties during the next few months as the result of rice shortages and skyrocketing prices.

Reports of unrest in Burma's villages are increasing, and there have been instances of outright looting of government stores and warehouses. The most serious incident occurred in the West Burma port of Akyab on 13 August, when Burmese security forces opened fire on about 5,000 demonstrators, killing 22 and wounding 45.

No significant relief for the shortages is in sight until the new crop begins reaching the market next January. Burma was once the world's leading exporter, and the current difficulties stem from the unrealistically low prices the government monopoly has been paying the farmers. This has discouraged production and encouraged hoarding. Partial decontrol of internal rice trade in June came too late; prices on privately sold rice are prohibitive for the average consumer. Rice sold by the government is more attractively priced, but the ration has been cut.

Ambassador Byroade notes that the rice squeeze has already cost Ne Win much of the popular support he picked up earlier this summer through his tough stand against Peking and the local Chinese. Although Ne Win will probably weather the storm, his margin of safety is narrow, especially if the government has to resort frequently to force on the scale it did in Akyab.

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NOTES

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Indonesia- Malaysia- Singapore: Indonesia's often-postponed establishment of full diplomatic relations with Malaysia and Singapore probably will take place in the next few days. Indonesian Foreign Minister Malik told an American official that the ambassadors to Malaysia and Singapore probably will be army officers, which was the price he had to pay to get early action on normalizing relations. Although well-placed Indonesian Army officers would have preferred the continuation of present informal arrangements, the formation of the Association of Southeast Nations early this month demonstrated the need for full diplomatic ties.

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Arab States: The Arab foreign ministers conference, scheduled to open today in Khartoum, is not likely to be any more successful than other recent Arab conclaves. Basic differences between the extremists and moderates remain unresolved. This will complicate Arab efforts to reach agreement on any positive action. Adoption of such measures as an oil embargo to Western states will therefore probably be deferred once again. The Sudanese are nevertheless going ahead with plans to host a summit meeting on 29 August.

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